

DEPARTMENT OF THE INTERIOR

As the Nation’s principal conservation agency, the U.S. Department of the Interior is responsible for the management, preservation, and operation of the Nation’s public lands and natural resources; carrying out related scientific research and investigations; developing and using resources in an environmentally sound manner; providing an equitable return on these resources to the American taxpayer; and carrying out trust responsibilities of the U.S. Government with respect to American Indians and Alaska Natives.

From its establishment in 1849, the Department has been charged with the responsibility of managing a wide variety of programs. In the last half of the 19th century, the Department’s programs ran the gamut of overseeing Indian affairs, exploring western wildernesses, constructing the National Capital’s water system, managing hospitals and universities, marking boundaries, improving western emigrant routes, conducting the census, and conducting research on the geological resources of the land.

Following the conservation movement at the beginning of the 20th century, the Department’s programs shifted to the preservation, management, understanding, and use of the great natural and cultural resources of the land based on an increasing sense of the fragile nature of those resources. Departmental programs and activities now include park and refuge operations of the National Park Service and the Fish and Wildlife Service; land management responsibilities of the Bureau of Land Management, delivery by the Bureau of Indian Affairs of quality services to American Indians and Alaska Natives; mineral leasing and revenue collection programs of the Minerals Management Service; research, data collection and scientific activities of the U.S. Geological Survey; water resources programs of the Bureau of Reclamation; regulatory responsibilities and reclamation activities of the Office of Surface Mining, Reclamation and Enforcement; and, support for U.S. Territories and other insular areas.

Today, the Department’s mission is fourfold:

- To encourage and provide for the appropriate management, preservation, and operation of the Nation’s

The Department of the Interior’s Mission:

“To protect and provide access to our Nation’s natural and cultural heritage and honor our trust responsibilities to tribes.”

public lands and natural resources for benefit and enjoyment by all Americans both now and in the future;

- To develop and use resources in an environmentally sound manner and provide an equitable return on these resources to the American taxpayer;
- To carry out related scientific research and investigations in support of these objectives; and
- To carry out trust responsibilities of the U.S. Government with respect to American Tribes and Alaska Natives.

Charged with this mission, the Department ensures that the Nation’s investment in its natural and cultural resources is cultivated to guarantee the optimum environmental, recreational, cultural and economic benefits for the American people.

Figure 1

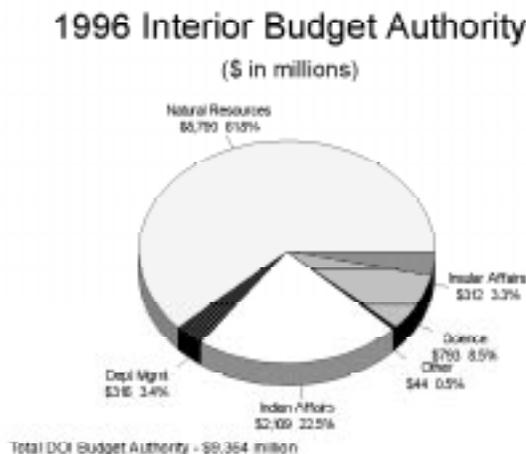


Figure 2

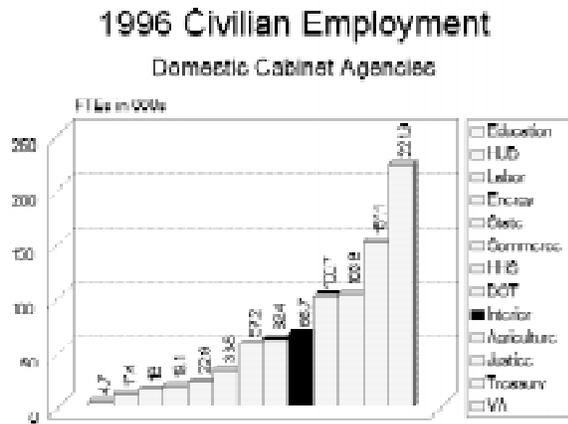
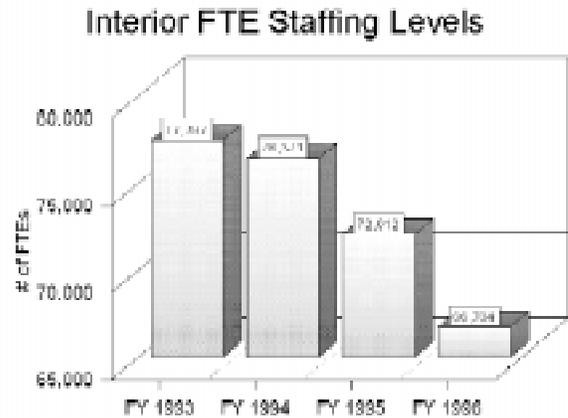


Figure 3



**A MESSAGE FROM JOHN GARAMENDI
DEPUTY SECRETARY OF INTERIOR**



Over the past few years, I have had the pleasure of representing the Department of the Interior in several intergovernmental and private-public partnerships. Through these partnerships, the Department has been able to accomplish many things that we could not do acting alone.

One collaboration of which I am particularly proud is with the recreation, travel and tourism industry. As administrator of more than one-sixth of the nation's land, Interior has begun to embrace its part in this growing field. At the Western Summit on Travel and Tourism, I saw eight Federal entities jump into the recreation mix, exchange ideas, and cooperate. The Federal Resource Guide on Tourism and the Public Lands is a product of the Summit, and in it one can find examples of recreational opportunities and contacts throughout the Federal government.

We recognize the importance of working with other Federal agencies and the recreation, travel, and tourism industry. Traditionally, these activities have been seen as "non-market factors" and not as profitable as the "hard industries" of mining, grazing, and logging. However, some estimates project that by the year 2000 nearly 85 percent of the Gross Domestic Product coming from public lands will be derived from outdoor recreation, travel, and tourism activities. By communicating with those involved in this emerging industry and cooperating with other Federal, State, Tribal, and local governments, the Department of the Interior is preparing to play an active role in the market of the future.

At the Department of the Interior, we continue to look for better ways of communicating our recreational opportunities to the public. Our online information resources are impressive. At our central site, visitors can link to the various bureaus and in many cases to specific sites, such as parks or wildlife refuges. Other news, points of interest, and phone numbers are easily accessible there. In addition, the Department is working with the U.S. Forest Service to create a Public Lands Visitors Center where information on nationwide recreation opportunities will be compiled in a single location. Please take the time to visit our Web site at <http://www.doi.gov>. You will not be disappointed.

The Department's 1996 budget authority was \$9.364 billion, a decrease of \$380 million compared to 1995. In addition, during 1996, the Department collected over \$4.9 billion in rents, royalties, and bonuses from its mineral lease program. This represents an increase of over \$1.3 billion or 37 percent compared to 1995. These revenues are distributed primarily to Federal and State treasuries, Indian Tribes and allottees, the Land and Water Conservation Fund, and the Historic Preservation Fund.

In terms of full-time equivalents (FTEs), Interior is the fifth largest of the 14 Cabinet agencies with 3.5 percent of the total Executive Branch civilian employment (Figure 2). Departmental employment, measured in FTEs, totaled 66,704 during 1996 (Figure 3). Since 1993, the Department has decreased staffing by 10,700 FTEs, which represents a decline of over 13 percent. Of the domestic Cabinet agencies, Interior has reduced its workforce by a greater percentage than all but one agency.

Measured in terms of dollar resources the Department, with one-half of one percent of the entire Federal budget, uses fewer funds than all but two of the Cabinet agencies. Despite its relative low funding, the Department touches the lives of most citizens, often on the person-to-person

level through its responsibility for the National Parks, Wildlife Refuges, public land recreation areas, topographic maps and management of dams and water projects. Its operations are located throughout the country, have an immense impact on individuals throughout America and its programs provide a tangible return to taxpayers.

Since January 1994, 10 bureaus and offices have experienced reductions in staff of more than 10 percent. No bureau or office has avoided staff reductions -- the

smallest decline was four percent. These reductions were made through aggressive use of buyouts, hiring freezes, and the separation of close to 2,000 employees through Reduction-in-Force (RIF) in 1995 and 1996. The largest RIF occurred as a result of the legislated closure of the U.S. Bureau of Mines.

Managing and Protecting America's Natural Resources

Over the years, the American people have made enormous investments in the public lands and resources of this Nation, investments that reflected their conservation values, their recreational preferences, and their reverence for their cultural heritage. Our magnificent National Park System, extensive National Wildlife Refuge System, and the vast expanse of public lands under the auspices of the Department stand as a tribute to the sacrifices of generations of Americans.

As the caretaker for America's public lands and natural and cultural resources, the Department is committed to providing the resources necessary to protect and preserve the Nation's national parks and public lands for current and future generations. This includes maintaining the health, diversity, and productivity of the millions of acres of public lands which contain a variety of resources, including energy and minerals, timber, forage, wild horse and burro populations, fish and wildlife habitat, recreational opportunities, wilderness areas, and archaeological and historical sites. At the same time, the Department is expanding the opportunities for wildlife-dependent recreation in National Wildlife Refuges, and improving services provided to the people who visit or work on public lands.

These public lands and resources span approximately 439 million acres in all 50 States -- or more than one-sixth of the United States land mass.

1996 Natural Resource Highlights

- *Established five new parks; the Presidio Trust; several national heritage areas; and authorized expanded preservation assistance for historically black colleges and universities in conjunction with the Omnibus Parks and Public Lands Management Act of 1996;*
- *Concluded activities required to close the Arizona-Florida Land Exchange which involved Florida lands integral to efforts to restore the Everglades and south Florida ecosystem;*
- *Spearheaded the agreement to acquire 60,000 acres in the Kodiak National Wildlife Refuge as part of the Exxon Valdez oil spill restoration program;*
- *Completed the reinvention of the Bureau of Reclamation and moved its focus from civil works construction to water resources management resulting in the receipt of one of the first Ford Foundation's Innovations in American Government Awards ever won by a Federal agency;*
- *Initiated the Glen Canyon Dam Test Flows as part of a new river management technique for maintaining and enhancing the Grand Canyon ecological health and for providing the water storage and power generation vital to life in the West. As predicted, the controlled flood restored sand beaches and wildlife habitats throughout the Grand Canyon and created 82 new campsites along the Colorado River;*
- *Worked with the Colorado River Basin States and Indian Tribes to formulate a regional solution to the problems of demands for water and anticipated shortages in the Lower Basin of the Colorado River;*
- *Developed permit conditions for the export of North Slope oil from Alaska to the Far East to provide protection of valuable resources along the coast and Aleutian Islands;*
- *Assessed approximately \$440 million in underpaid royalties based on a recent audit that suggested the Federal government is receiving less royalties than it is due on certain onshore and offshore public lands in California;*
- *Chartered an advisory committee of local citizens to determine the best course for developing the substantial natural gas reserves beneath the Green River Basin area of Wyoming and Colorado while protecting the public lands and other natural resources of this area for the future.*

Restoring the Environment

One of the commitments of the Department is to restore America's natural and cultural heritage through regional partnerships with other Federal agencies, State and local governments, community groups, and the private sector. During 1996, the Department continued pursuing partnership efforts to address some of the Nation's most chronic regional environmental problems and challenges. Partnerships are pioneering methods of protecting the environment that are more efficient and more effective than traditional approaches. The process of partnership building with States, localities, and private stakeholders ensures the consideration of divergent interests and the development of consensus solutions and strategies, thereby avoiding the time-consuming and expensive litigation that produced gridlock in the past. The partnership approach also enables Interior to leverage its scarce resources with those of other partners to conduct work that might otherwise be unaffordable.

Major partnerships undertaken by the Department during 1996 include the following:

- Everglades Watershed Restoration - a partnership to restore the natural hydrologic functions of the Everglades.



Secretary Bruce Babbitt and students from the Sidwell Friends School walk the C&O Canal (photo by T. Heilemann).

- California Bay-Delta Ecosystem Restoration - a partnership to restore and protect the Bay-Delta ecosystem (the region where the Sacramento and San Joaquin Rivers meet the San Francisco Bay) while providing a reliable water supply to support streamlining the State's long-term economic health.
- Habitat Conservation Plans - partnerships between the Department, private, local, and State landowners to find endangered species habitat solutions that are biologically and economically feasible for all parties.

- Northwest Forest Plan - a comprehensive and innovative design to manage public forests in Washington, Oregon, and Northern California.

- Appalachian Clean Streams Initiative - an interagency effort led by the Office of Surface Mining to address the problem of acid mine drainage in Appalachia.

Details concerning these partnership initiatives are provided in the "Natural Resources" section of this report.

1996 Restoring the Environment Highlights

- Developed and restructured partnerships with the Statue of Liberty/Ellis Island Foundation and the Ellis Island Restoration Commission.
- Led the development of administrative reform policies under the Endangered Species Act (ESA), particularly with regard to the application of the ESA to private land owners.
- Expanded the use of Section 4(d) rules to ease spotted owl restrictions on private landowners in the Pacific Northwest;
- Worked with the Council on Environmental Quality and other Federal agencies in developing the Administration Plan for restoration of the Everglades and south Florida ecosystem announced by the Vice President in February 1996;
- Collected \$257 million in Abandoned Mine Land fees from coal mining production to fund the reclamation costs of abandoned mine lands;
- Developed a target solution for substantially reducing air emissions from the Centralia Power Plant in the State of Washington.

Using Science and Research to Solve Problems

As a Nation, we face serious questions concerning our global environment. How can we ensure an adequate supply of critical water, energy, and mineral resources in the future? In what way are we irreversibly altering our natural environment when we use these resources? How has the global environment changed over geologic time, and what can the past tell us about the future? How can we predict, prevent, and mitigate the effects of natural hazards?

Collecting, analyzing and disseminating the scientific information needed to answer these questions, and providing the other critical science needed to underpin resource management decisions is a major responsibility of the Department. The emphasis on good science covers a broad range of research on natural hazards, studies of biological resources, and resource assets.

The U.S. Geological Survey is the Nation's primary provider of earth and biological science information related to natural hazards; certain aspects of the environment; and mineral, energy, water and biological



USGS staff at work in the Everglades (photo by USGS).

resources. The Survey carries out scientific research that contributes to the improvement of the health and welfare of the American people, helps to resolve the Nation's environmental issues and formulation of sound Federal land management and natural resource policies. The Survey is the Federal Government's principal civilian mapping agency and a primary source of data on the quality and quantity of the Nation's water resources.

In 1996, the Department began a process to consolidate all science and research activities under the U.S. Geological Survey. The Minerals Information Program was transferred to the U.S. Geological Survey as a result of the closure of the U.S. Bureau of Mines. In addition, the Biological Resources Division was created in the U.S. Geological Survey to consolidate science and research activities previously performed by the National Biological Service. The National Biological Service was closed in 1996 at the direction of Congress.

1996 Science and Research Highlights

- *Implemented extensive organizational changes within the Department's science agencies as required by Congress, including closure of the U.S. Bureau of Mines and transfer of some of its functions to the U.S. Geological Survey and to the Department of Energy;*
- *Merged the National Biological Service with the U. S. Geological Survey;*
- *Enhanced the efforts of the Department's Science Board to improve scientific research, application of science to land and resource management approaches, and to provide the science necessary to guide appropriate regulatory response;*
- *Received the prestigious "Hammer Award" for the quick and efficient use of the World Wide Web by U.S. Geological Survey employees for real-time dissemination of river level and streamflow information critical to decisions regarding the evacuation of people and property in the widespread flooding that struck the Pacific Northwest;*
- *Provided oversight and policy guidance on numerous water resource management issues throughout the Western states such as implementing the Central Valley Project Improvement Act and the State-Federal comprehensive strategy to conserve San Francisco Bay-Sacramento River Delta resources;*
- *Researched the western burrowing owl in California and determined that this species could be protected without having to initiate the listing procedure;*
- *Forged a consensus among the states, water users and the environmental community in the Platte River Basin concerning a recovery program for endangered and threatened species in the basin; and developed acreage limitation regulations.*

Promoting and Supporting Tribal Sovereignty

In the last two centuries, the Congress has passed more Federal laws dealing with Indians than any other group of people in the United States. Congress has placed the major responsibility for Indian matters in the Department of the Interior, primarily the Bureau of Indian Affairs. The Bureau's mission is to enhance the quality of life, promote economic opportunity, and carry out the responsibilities to protect and improve the trust assets of American Indians, Indian Tribes, and Alaska Natives.

Today there are more than 550 federally recognized American Indian and Alaska Native Tribal governments in the United States. All share one thing in common: each possesses inherent governmental authority deriving from its original sovereignty, a recognized principle of U.S. Constitutional law. The Federal Indian trust responsibility is a legal duty on the part of the United States to protect Indian land and resources, fulfill treaty obligations, and carry out the mandates of Federal law for the benefit of American Indian and Native Alaskan tribal members. One of the most important aspects of the trust responsibility is its application to Indian lands and resources.

Under the self-determination and self-governance policies, tribes are assuming more and more of the day-to-day management responsibilities over trust assets. While these laws contain clear provisions that the Federal trust responsibility is not diminished, the Federal role in the actual operation of trust related programs may be substantially reduced.



Indian ruins (photo by E. Whitely)

Achievement of self-determination demands a Federal commitment to investing sufficient resources over the long-term to assist Tribes in developing self-government, an economic base, and social and educational institutions so that they too may share in the full bounty of America's prosperity while preserving the tribal culture that is an integral part of the American character. In 1996, more than \$157 million was made available to 190 tribal governments operating programs through 53 separate Self-Governance Compacts.

The Office of American Indian Trust was established to improve the overall effectiveness of the Department of the Interior in carrying out the Federal Indian trust responsibility. The Office is responsible for assisting Departmental offices and bureaus in determining facts and considering effects of all Departmental actions or proposals in relation to American Indian trust resources

and provides staff support to the Secretary in the exercise of the trust responsibility and the coordination and implementation of Indian trust protection policies and procedures.

1996 Promoting and Supporting Tribal Sovereignty Highlights

- Obligated nearly \$1 billion to tribes and tribal organizations under self-determination contracts, grants, and compacts, accounting for 49 percent of all Bureau of Indian Affairs operations and construction obligations;
- Continued aggressive streamlining and decentralization activities resulting in maximum resources going to tribal programs and eliminating 1,700 positions in 1996;
- Increased the number of Tribes covered by flexible self-governance compact agreements to 190;
- Achieved accreditation and met state, regional or/and Bureau academic standards for all Bureau-funded day schools and boarding schools;
- Increased the number of graduates from Indian colleges by approximately 13 percent;

Reinventing Interior Programs

The Department has made significant progress over the past year in changing business practices and finding more cost-effective and productive management strategies. The Department is using the tools of performance management, reengineering, and organizational streamlining to improve programs, operate more efficiently, and provide better service to customers.

The Department's organization changed dramatically in 1996 with the elimination of the U.S. Bureau of Mines and integration of the National Biological Service into the U.S. Geological Survey. Significant downsizing occurred in the Bureau of Indian Affairs and the Office of Surface Mining Reclamation and Enforcement as a direct result of severely reduced funding levels. There has also been significant downsizing in the Bureau of Reclamation, the U.S. Geological Survey and Departmental management offices as a result of reengineering and streamlining efforts.

The Department has an aggressive reinvention laboratory program in place. This program has resulted in numerous improvements to organizations and various work processes throughout the Department. It has also led to the Department being selected as a recipient of the Vice President's prestigious "**Hammer Award**" for the National Park Service Denver Service Center Lab; the U.S. Geological Survey Information Dissemination Lab; and the Department's California Desert Lab.

Measuring Performance under the Government Performance and Results Act (GPRA)

The GPRA calls for effective planning, budgeting, program evaluation, and fiscal accountability. Strategic plans for the Department and each bureau will be in place by September 1997, and the Act will be fully implemented in 1999.

The Department has worked collaboratively with the Congress, Office of Management and Budget, and others in pursuing innovative strategies to meet the challenges, expectations, and requirements that the Act creates. The Department is pursuing improved accountability by cascading performance goals throughout the organization tying them to individual performance plans and agreements. The Department is gathering performance data that will form a baseline for implementing the GPRA



An outdoor classroom (photo by FWS).

in 1999. Bureau financial and program performance data are presented in the following sections of this report.

Customer Service

The Department is committed to providing the best possible service to customers, partners, and stakeholders. Over the last several years, bureaus and offices have developed customer service plans, established standards of service, and conducted customer surveys. The Department is using partnerships and new technology to improve customer service and operate more efficiently. During 1996, the Department has been successful in using customer feedback to improve services. A series of programs to improve service, reduce costs, and use technology to provide easier access to government information and services has been completed or are underway. Additional information about customer service initiatives in each bureau is included in following sections of this report.

Management Integrity and Accountability

The Department believes that by maintaining integrity and accountability in all programs and operations, it can promote good government, responsible leadership, sound management in the delivery of services to customers, and achieve desired program outcomes. As a result, the Department has developed and implemented sound management, administrative, and financial system controls which reasonably ensure that:

- programs and operations achieve their intended results efficiently and effectively;
- resources are used in accordance with the Departmental mission;
- programs and resources are protected from waste, fraud, and mismanagement;
- laws and regulations are followed; and,
- reliable, complete, and timely data are maintained and used for decision-making at all levels.

The Department conducted an annual assessment of the effectiveness of its management, administrative and accounting system controls in accordance with the Federal Managers' Financial Integrity Act (FMFIA) and guidelines established by OMB. The Department conducted internal reviews and evaluations of controls in 91 programs and administrative functions. The Department also relied upon the results of the independent bureau financial statement audits conducted by the Office of the Inspector General under the auspices of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994 during the assessment process. The Department's Management Control and Audit Followup Council reviewed and analyzed the results of the 1996 assessment process and concluded that no new material weaknesses were identified.

During 1996, the Department completed corrective actions on six of 21 (29 percent) material weaknesses and four of five (80 percent) accounting system non-conformances carried forward from 1995. Additional information on the material weaknesses and accounting system non-conformances is included in the Supplemental Information section of this report.



Watts Branch Towpath, C&O Canal (photo by M.W. Williams)

The Department's Inspector General audited the 1996 financial statements of each bureau and the consolidated Department financial statements. The audit opinion on the Department's consolidated financial statements and accompanying notes, and a summary of bureau audited financial statement results are presented in the following sections of this report.

The Department has made substantial progress in obtaining "unqualified audit opinions" on the financial statements of its bureaus and offices. In 1992, only three of its ten bureaus received unqualified audit opinions. Now, in 1996, nine of ten bureaus and offices received unqualified audit opinions. Figure 4 provides a summary of bureau financial statement audits.

Figure 4

